



Accounting and Information  
Management Division

B-257423

June 7, 1994

Mr. Jackie R. Crawford  
Auditor General of the Air Force

Dear Mr. Crawford:

This letter documents the primary points discussed in our March 30, 1994, briefing to you on our review of certain audit work conducted by your organization. Specifically, the briefing focused on our review of the fiscal year 1992 audits of the Air Force's consolidated financial statements and the revolving fund activities operated by the Air Force as part of the Defense Business Operations Fund (DBOF).

The Chief Financial Officers (CFO) Act of 1990 (Public Law 101-576) mandated that the Department of Defense (DOD) Inspector General, or an external independent auditor selected by the DOD Inspector General, conduct and report on the results of those audits. As you know, the DOD Inspector General arranged for the Air Force Audit Agency (AFAA) to perform the audit work on the Air Force's fiscal year 1992 consolidated financial statements and much of the audit work on the Air Force-operated DBOF activities. These audit efforts were AFAA's first endeavors to comprehensively evaluate major Air Force financial operations. We reviewed this audit work because one of our primary long-term goals is for the federal government to achieve significantly improved financial management through properly implementing the CFO Act.

Our review focused on AFAA's compliance with the audit provisions of the CFO Act and related professional audit standards. We did not audit any accounts, line items, or disclosures in the financial statements of either the Air Force or DBOF activities operated by the Air Force. Rather, we limited our work to reviewing and evaluating the work of AFAA and providing consultative assistance.

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We commend the AFAA for its commitment to carrying out the audit provisions of the CFO Act. Overall, AFAA complied with professional audit standards in conducting the subject audit work. However, we believe that AFAA's reporting on audit results could be strengthened. Specifically, we observed that (1) the usefulness of AFAA's reports could be enhanced by including additional detailed information, (2) the June 29, 1993, overall report on the Air Force's general fund financial statements referred to a number of reports that were issued weeks and months after that date,<sup>1</sup> and (3) portions of several reports were not referenced or verified to auditors' working papers.

During our briefing, we suggested that AFAA include additional detail in its reports, such as (1) all elements of findings, (2) the status of prior recommendations, and (3) identification of all controls determined to be significant and which of those controls AFAA assessed. Such information, in our opinion, would make AFAA's reports more informative to their users and potential users, including Air Force and DOD managers and the Congress. We also suggested that reference to other reports be limited to reports which had already been published or were nearing publication. Finally, we reaffirmed one prior recommendation that all draft reports be referenced to original audit working papers or, at a minimum, to auditors' summaries which have been referenced to original working papers.<sup>2</sup>

We will continue to be interested in how the CFO Act audits of DOD organizations are being conducted. In this respect, we look forward to working with you to provide any consultation or other assistance that would help you in your efforts to conduct these financial audits.

We appreciate the courtesy and cooperation extended to us by your staff throughout our review and hope our observations will be useful to you and your staff in planning and

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<sup>1</sup>Air Force Audit Agency, Opinion on Fiscal Year (FY) 1992 Air Force Consolidated Financial Statements, project 92053011, 29 June 1993.

<sup>2</sup>Air Force Audit Agency: Opportunities to Improve Internal Auditing (GAO/AFMD-90-16, February 20, 1990).

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conducting future financial audits. Please contact me at (202) 512-9095 or Gerald W. Thomas at (202) 512-8841, should you wish to discuss these matters further.

Sincerely yours,



David M. Connor

Director, Defense Financial Audits

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